1986 ANNUAL REPORT FROM THE PEOPLE OF WAL-MART

FISCAL YEAR ENDED JANUARY 31, 1986

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FINANCIAL HIGHLIGHTS

(Dollar amounts in thousands except per share data)

	January 31, 1986	1985
Net sales	$8,451,489	$6,400,861
Net income	327,473	270,767
Net income per share	1.16	.96 *
Working capital	791,592	614,286
Current ratio	1.8	1.9
Common shareholders' equity	1,277,659	984,672
Common stock outstanding at year end	281,045,471	280,444,746 *
Stores in operation at year end		
Wal-Mart Stores	859	745
Sam's Wholesale Clubs	23	11

MARKET PRICE OF COMMON STOCK*

Fiscal years ended January 31,

	1986		1985	
Quarter	High	Low	High	Low
April 30	$24.19	$21.81	$17.75	$15.50
July 31	28.31	22.75	20.88	17.50
October 31	27.38	23.88	22.94	19.81
January 31	33.88	26.25	23.31	18.88

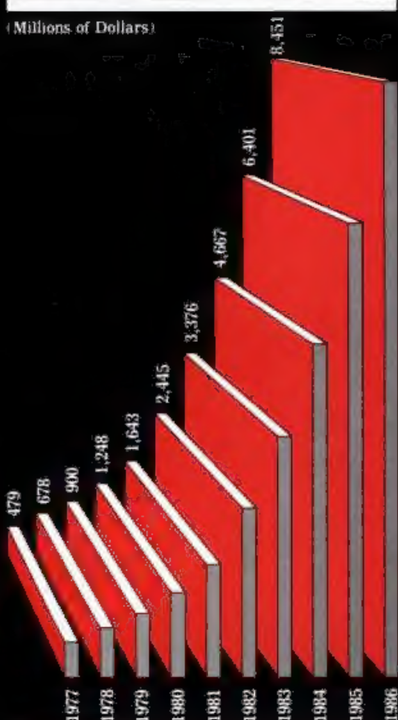
DIVIDENDS PAID PER SHARE OF COMMON STOCK*

Fiscal years ended January 31,

1986 Quarterly		1985 Quarterly	
April 10	$.035	April 11	$.026
July 9	.035	July 6	.026
October 4	.035	October 5	.026
January 3	.035	January 4	.026

*Adjusted to reflect the 100% stock dividend paid on October 4, 1985.

Net Sales



Net Income

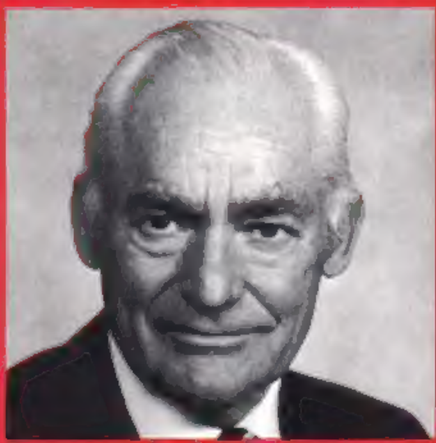
WE STRIVE FOR EXCELLENCE IN EVERYTHING WE DO

Merchandising excellence - the goal of every retailer - may be a simple matter of having "the right merchandise at the right place at the right time and at the right price." In past years, we have shared with you our emphasis on customer convenience, clean and attractive stores, value and productivity, all of which are critical in our effort to become excellent merchants. This year, our Report focuses on our most important ingredient - the "right" people.

The people to whom you will be introduced in this Report are a small sampling of the many partner-associates who perform the most important role in Wal-Mart's pursuit of excellence.

"We have an absolute responsibility to run this Company in the best interest of the shareholders on an ongoing basis. We will never develop any short-term strategy which does not enhance the long-term viability of the Company."

DAVID GLASS

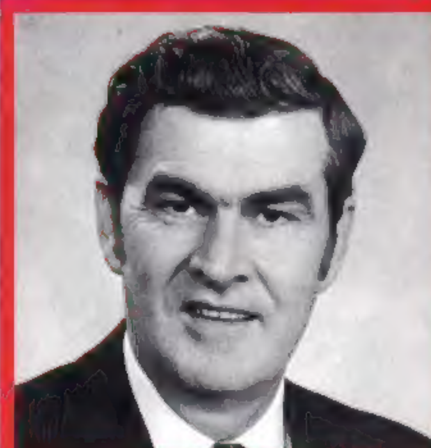


SAM Sam M. Walton
Chairman of the Board and Chief Executive Officer

TO OUR SHAREHOLDERS...Our Company achieved dramatic growth and excellent operating results in a very challenging economic climate for the fiscal year ended January 31, 1986. Sales and earnings reached record levels for the 16th consecutive year since the initial public offering of Wal-Mart stock in 1970.

Sales rose 32% to a record $8.451 billion from $6.401 billion a year earlier and net income improved 21% to a record level of $327.5 million, compared with $270.8 million in the preceding year. Net income per share was $1.16, up from $.96 in the prior year.

Changing economic conditions produced unique challenges during the year. Interest rates and unemployment trended down; and we experienced a moderating rate of inflation and even substantial deflation in some product lines.Our response to these conditions has been to reinforce our commitment to "Everyday Low Prices" by aggressively seeking cost reductions from our suppliers and passing the savings to our customers. These "Price Rollbacks" now include several thousand items. Our overall program, designed to increase sales and market share in a disinflationary environment, required improved inventory management to support greater unit volume. As a result of these and other programs, Wal-Mart attained a nine percent sales increase in comparable stores during the year. And, the added emphasis on inventory management improved turnover rate in all divisions and distribution centers.



DAVID David D. Glass
President and Chief Operating Officer

The year was highlighted by exciting new store growth. Our Company opened 115 new Wal-Mart stores (one in a multi-unit market was closed),12 new Sam's Wholesale Club units,one new dot Discount Drug Store and two Helen's Arts and Crafts stores. In addition, 36 of our older, more productive stores were expanded or relocated and 34 stores were remodeled.The total addition of 9,354,000 square feet of store space represents a 22%increase during the year.We continue to place emphasis on updating and modernizing our older stores.

JACK Jack Shewmaker
Vice Chairman and Chief Financial Officer

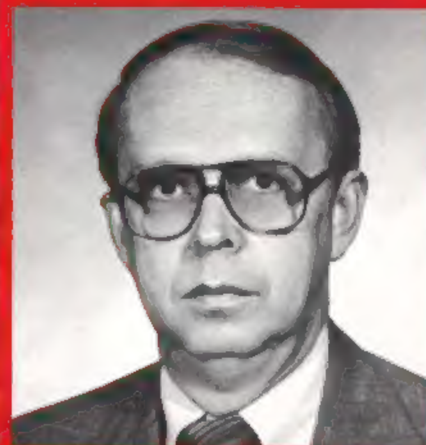
Sam's Wholesale Club, our wholesale-membership division, continued its rapid growth in sales and further improved its profitability. Sales reached $776 million, an increase of 250% over sales of $222 million in the preceding year. In just two and one-half years, this division has far exceeded our ambitious goals, becoming the second largest participant in this quickly expanding marketing concept. Sam's profitability, although significantly lower as a percentage of sales than that realized by Wal-Mart stores, offers an attractive return on investment. This profitability and the strong complement Sam's provides to the marketing strategies of Wal-Mart stores provide the Company an added

DON Donald G. Soderquist
Executive Vice President-
Operations and Administration

dynamic vehicle for continued growth.

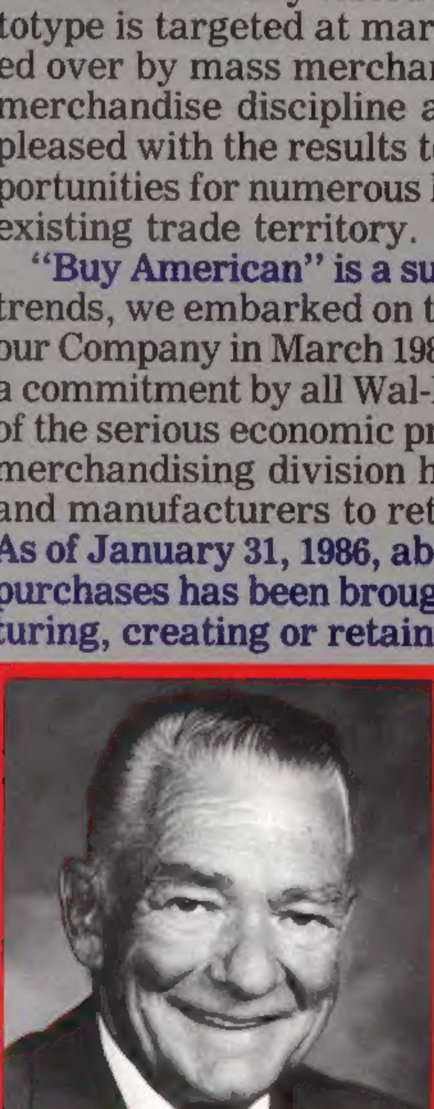
Common shareholders' equity grew to $1.278 billion, up 30% from $985 million a year earlier, further strengthening the Company's financial position. To enhance liquidity, a $100 million bond issue and two participating mortgage issues aggregating $40.5 million were sold, the proceeds of which were used primarily in supplementing our traditional method (sale/leaseback) of financing real estate. The improvement in our inventory management also aided Wal-Mart's liquidity. Although short-term borrowing will be required to support seasonal inventory buildups, the internal funding of our presently planned growth, excluding most real estate, should continue.

We successfully tested a new small store prototype of 29,000 square feet. This prototype is targeted at markets previously considered too small and, therefore, passed over by mass merchants. The concept requires strict merchandise discipline and operating controls. We are pleased with the results to date and believe there are opportunities for numerous locations of this prototype in our existing trade territory.



AL A.L. Johnson
Executive Vice President-
Merchandise and Sales

"Buy American" is a success! Against strong economic trends, we embarked on this important new direction for our Company in March 1985. "Buy American" has become a commitment by all Wal-Mart associates to address some of the serious economic problems facing our country. Our merchandising division has worked hard with suppliers and manufacturers to return production to this country. **As of January 31, 1986, about $200 million in merchandise purchases has been brought home to American manufacturing, creating or retaining 4,500 jobs for Americans, many of whom are Wal-Mart customers and shareholders.** The most rewarding result, however, comes from the strong support our customers have exhibited. We believe, more than ever, that "American goods are good for America" and we pledge to extend this new spirit of cooperation throughout 1986 and beyond.



BUD James L. Walton
Senior Vice President

ROB S. Robson Walton
Vice Chairman

Since 1980, the Company's ratio of operating expenses to sales has declined each year. This accomplishment is particularly difficult in a disinflationary environment and reflects the concerted expense control efforts practiced throughout the Company. An excellent example of this expense consciousness is the current conversion of old

warehouse space in Bentonville into office space to accommodate the expanding requirement of the general office support departments. This utilization of vacated warehouse space displaces a long-delayed plan to build an enlarged office complex.

Progress was made on several other fronts: scanning of Uniform Product Code (UPC) at point-of-sale has been expanded; the satellite communications system is being installed and is functioning in some locations; new distribution facility space has been placed in service and additional space is under construction; and the Walton Institute of Retailing was established to spearhead our training requirements. These activities are discussed in greater detail on the following pages.

The new year holds great opportunity for those willing to accept its challenges. We have developed aggressive plans which, if realized, will increase our sales volume by more than $2.5 billion. The centerpiece of this plan is continuing the productivity improvements in our existing stores through such programs as "Price Rollback" and training our associates to offer better and friendlier customer service. In addition, our new store program projects 115 new Wal-Mart's and 18 new Sam's, plus the expansion or relocation of 45 older Wal-Mart stores which will add more than 11 million square feet of store space or 22% to the square footage at the beginning of the year.

We have the opportunity of becoming the fourth largest general merchandise retailer in sales volume in the United States during 1986. We continue our ambitious growth plans not to become bigger for the sake of bigness and not for short-term profits or benefits, but to insure our shareholder partners a generous return on their investment on a long-term basis.

Our accomplishments as a company are directly attributable to the commitment, skills and hard work of our 104,000 dedicated associates. We appreciate the partnership we have developed with our associates, suppliers and shareholders. Not only do we share a great pride in our joint accomplishments, we also look forward to our future growth together.

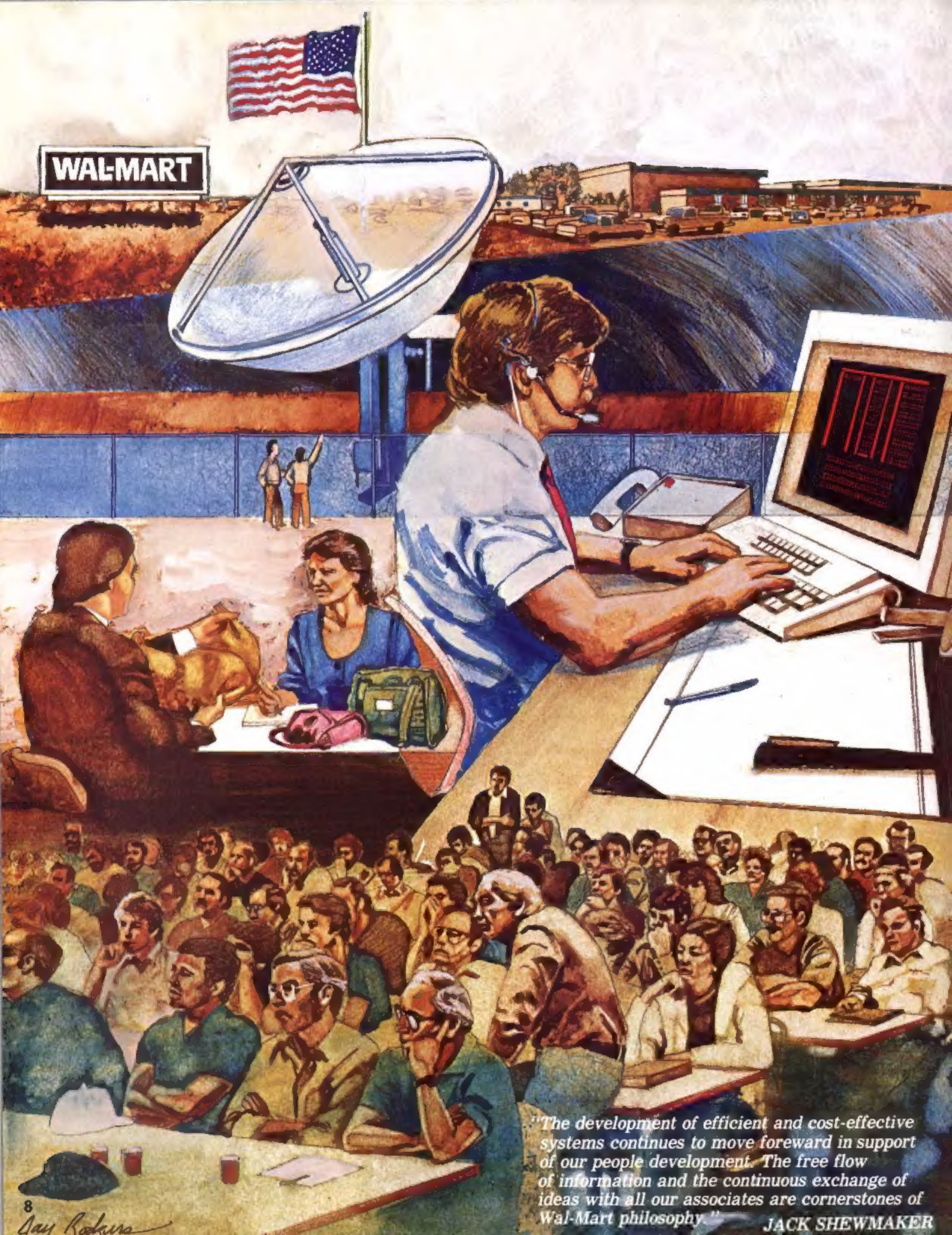
Respectfully,

Sam M. Walton
Chairman of the Board and
Chief Executive Officer

David D. Glass
President and
Chief Operating Officer

Jack Shewmaker
Vice Chairman and
Chief Financial Officer

"OUR PEOPLE REFLECT WAL-MART'S PHILOSOPHY."



"The development of efficient and cost-effective systems continues to move foreward in support of our people development. The free flow of information and the continuous exchange of ideas with all our associates are cornerstones of Wal-Mart philosophy."

JACK SHEWMAKER

PREPARING FOR THE FUTURE...Wal-Mart's trade territory was expanded last year to Wisconsin and as far west as Colorado as a result of our dedication to continuing profitable growth. As of January 31, 1986, the Company operated 859 Wal-Mart stores, 23 Sam's Wholesale Clubs, two dot's and three Helen's (see map on Pages 14 and 15 for locations by state).

MARY Mary Musholt
Five Year Wal-Mart Associate

The expansion of our store-support facilities also progressed with the construction of distribution centers in Douglas, Georgia (opening January 1986), Brookhaven, Mississippi (opening August 1986), Plainview, Texas (opening September 1986) and an additional center in Bentonville, Arkansas (opening December 1985). This aggressive expansion will add 2,598,000 square feet of distribution center space to our system in 1986, an increase of 66%. Our second film processing plant began operation in Bentonville, Arkansas in September 1985.

RICK Rick Wilson
Four Year Wal-Mart Associate

Our continuing dramatic growth, though exciting, is a challenge to our basic strength —our people. We ended last year with 104,000 associates, an increase from 81,000 a year earlier. It is evident that our business has been and will continue to be a people business. Wal-Mart's "Our People Make the Difference" explanation for past success is more than a slogan or philosophy — it's the very heart of Wal-Mart. Together we are strong, but our need to grow and work together has never been more of a necessity. Our Company is committed to people development; our future depends on it. We must have trained, motivated and entrepreneurial people prepared for the opportunities and challenges that tomorrow will surely bring. In November 1985, the Walton Institute of Retailing, a coordinated effort of the University of Arkansas Continuing Education Center and Wal Mart, was founded. The institute combines the collective talents of the Wal-Mart management group, the University of Arkansas College of Business Administration and recognized national lecturers. Several courses were conducted last year for select groups of store managers, regional and district managers combined with representatives from general office management. During the new year, this management development program will be offered to every member of our management team throughout all stores, distribution facilities and the general office.

PARKER & TERRY Parker Hunt-4 Years
Terry Bland-6 Months

The Walton Institute strengthens our ongoing Retail

"The key to success must be that we all truly embrace the philosophy that our sole reason for being is to serve, even spoil, those wonderful customers. To keep this focus on customer service despite our continuous change is just as critical today as it was in those dime stores thirty years ago!"
SAM WALTON

Management Training Seminar (RMTS) which is designed to acquaint Assistant Managers who have completed their in-store training segment with a wide spectrum of management fundamentals. RMTS graduated more than 300 store manager candidates last year and the program is being geared to offer similar instruction to approximately 1,000 associates this year at an earlier period in their training cycle.

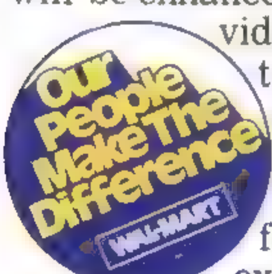
This training and development of management is reinforced by our in-store training of Department Managers and Customer Service Managers through regional product-knowledge seminars, the Department Manager's Development Guide and other special training activities.

JANELLE Janelle Cope
Two Year Wal-Mart Associate

Our people are encouraged to become involved in their local communities. We support this involvement through such programs as United Way and Special Olympics and many special local community projects for which the Company sponsors a matching fund. Through our scholarship program, a $1,000 scholarship was awarded to a high school graduate in each community having a Wal-Mart store.

PEGGY Peggy Griffith
Thirteen Year Associate

The development of efficient and cost-effective systems continues to move forward in support of our people development. The free flow of information and the continuous exchange of ideas with all our associates are cornerstones of Wal-Mart philosophy. We are determined that these will not be compromised as a "cost" of growth. The Wal-Mart Satellite Network (WSN) has been successfully tested and the deployment of the system in over 600 stores and seven distribution centers is planned for 1986, with complete deployment by mid-1987. WSN will make new applications of current systems a reality for all stores, as well as providing "on line" access to information presently available in other forms. The network will assure direct store-to-store and store-to-general office voice and data communication at a fixed future cost in a general environment of escalating cost. Communications will be enhanced further by WSN's capacity to beam live video presentations from the general office to the balance of the system. One example of the many applications this system will provide is the reduction of credit card authorization response time to only four or five seconds and at a significantly reduced expense.



VI & GLEN Vi Reiling 6½ Years
Glen Mai-3 Years

Our Douglas, Georgia, Distribution Center began operations in January 1986 utilizing a bar code scanning system similar to the Uniform Products Code

in freight sorting, shipping and billing, which will provide faster and more accurate merchandise flow to the stores serviced by this facility. Our plans are for complete conversion to this program in all stores and distribution facilities by mid-1987. Store associates utilizing hand-held bar code scanning units can receive and price-mark merchandise, bypassing all paperwork associated with the present system of checking and matching merchandise billed against that received. In addition to these improvements in merchandise handling efficiencies and the resulting expense savings, this replenishment system supports our continuing commitment to point-of-sale scanning, which utilizes the UPC bar code. At last year-end, UPC scanning at the checkouts was operational in 235 Wal-Mart stores. During 1986, scanning will be implemented in every new store and approximately 200 existing stores will be converted. We are committed to maximizing the multiple benefits this technology will provide our stores, in addition to the improved customer checkout service. "Data Collect", a new system recently introduced in all scanning stores, provides accurate tracking of merchandise sales by item for store management on a daily basis. This system creates exciting opportunities to maximize sales on "hot items" by maintaining proper in-stock position. Scanning also serves to reduce shrinkage by providing control over the capture and recording of markdowns.

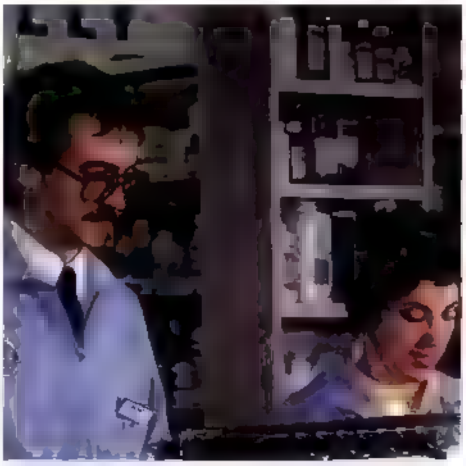
These new systems are as exciting as they are essential in meeting our objective of supporting and training our people to address the challenges of the future.

VINNIE Vinnie Cox
Ten and one-half Year Associate

VON Von Johnston
Ten Year Wal-Mart Associate

"Our People Make the Difference," a special slogan—an oversimplification? Not really. Our dedication to a philosophy of continuing, controlled, profitable growth can be managed only by people, not programs, not systems, but the "right" people—

Wal-Mart people.



MARK & MARSHA Mark Hurley-4 Years
Marsha DeFreece-2 Years

PAM Pam Conn
Ten Year Wal-Mart Associate

"The company opened 115 Wal-Mart stores, 12 Sam's, 1 dot, and 2 Helen's"...

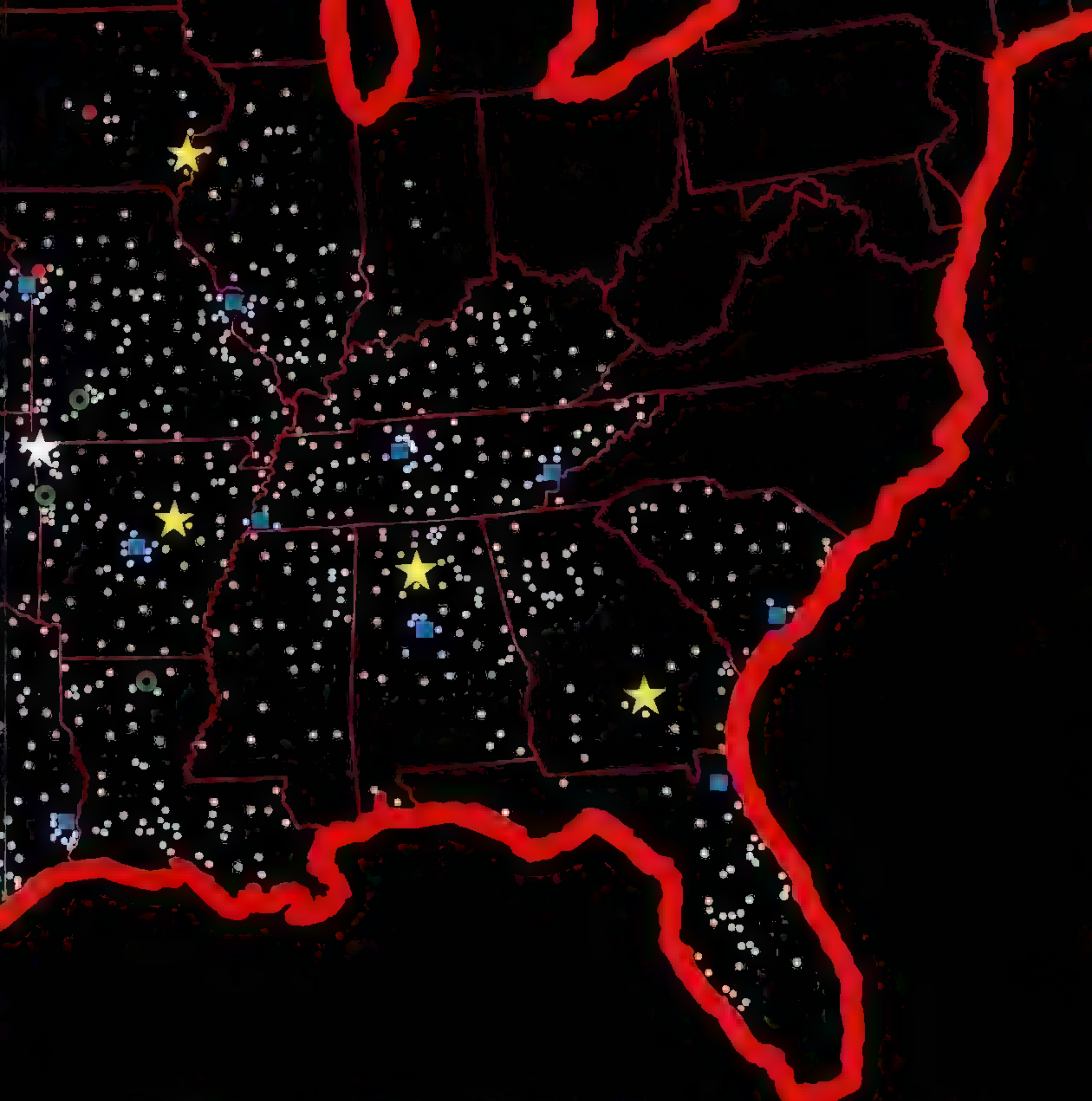
WAL-MART

SAM'S WHOLESALE CLUB

Helen's ARTS & CRAFTS

dot DISCOUNT DRUGS


WAL-MART STORES
850 total locations in 22 states
SAM'S WHOLESALE CLUBS
23 locations
DOT DISCOUNT DRUG STORES
2 locations
HELEN'S ARTS & CRAFTS STORES
3 locations
GENERAL OFFICES AND DISTRIBUTION CENTERS
in Bentonville, Arkansas
DISTRIBUTION CENTERS



NUMBER OF WAL-MART STORES IN EACH STATE

Alabama	51	Iowa	12	New Mexico	11
Arkansas	71	Kansas	31	N. Carolina	1
Colorado	2	Kentucky	43	Oklahoma	71
Florida	37	Louisiana	49	S. Carolina	25
Georgia	39	Mississippi	34	Tennessee	67
Illinois	47	Missouri	90	Texas	160
Indiana	6	Nebraska	8	Virginia	1
				Wisconsin	2

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Sales for the three fiscal years ended January 31, 1986, and the respective total and comparable store percentage sales increases over the prior year were as follows:

Fiscal year ended January 31,	Sales	Total company percent increases	Comparable stores percent increases
1986	$8,451,489,000	32%	9%
1985	6,400,861,000	37	15
1984	4,666,909,000	38	15

Sales increases were due to the improved productivity of comparable stores, and the contribution of new stores (115 Wal-Mart stores and 12 Sam's units in fiscal 1986, 106 Wal-Mart stores and 8 Sam's units in 1985 and 91 Wal-Mart stores and 3 Sam's units in 1984). The impact of inflation and changing prices on the results of operations is presented in Note 8 of Notes to Consolidated Financial Statements.

The Sam's units contributed the following sales for the periods indicated:

Fiscal year ended January 31,	Sales
1986	$776,483,000
1985	221,586,000
1984	37,364,000

The following table sets forth, for the fiscal periods indicated, the percentage that certain items in the Company's Consolidated Statements of Income bear to net sales and the annual percentage change of such items for the period indicated.

	Percentage of sales year ended January 31,			Percentage change from prior year		
	1986	1985	1984	1986	1985	1984
Sales	100.0%	100.0%	100.0%	32.0%	37.2%	38.2%
Cost of sales	75.3	73.8	73.2	34.7	38.2	39.0
Operating, selling and general and administrative cost	17.6	18.5	19.1	25.7	32.3	31.9
Interest costs	.7	.7	.8	18.5	36.8	(10.3)
Provision for income taxes	3.3	3.6	3.5	19.7	43.3	60.2
Net income	3.9	4.2	4.2	20.9	38.0	58.1

Cost of sales increased 1.5% in fiscal 1986 compared with 1985. The increases were due to the cost of sales in the Sam's units, which is significantly higher than in the balance of the Company, the continuation of reduced initial markons supporting emphasis in the Wal-Mart stores on everyday low prices and the Company's "Price Rollback" program, and higher LIFO costs in 1986 than 1985.

Cost of sales increased .6% in fiscal 1985 compared with 1984. The increases were due to the cost of sales in the Sam's units, which is significantly higher than in the balance of the Company, and reduced initial markons supporting the Wal-Mart stores everyday low price program partially offset by an improvement in shrinkage and lower LIFO costs.

Operating, selling and general and administrative expenses decreased .9% and .6% respectively in fiscal years 1986 and 1985 as compared with fiscal years 1985 and

1984 through continued cost control efforts, productivity improvements and the effects of Sam's units expense ratios to sales being significantly lower than in the balance of the Company.

Interest costs remained relatively constant for the three fiscal years ended 1986. See Note 3 of Notes to Consolidated Financial Statements for additional information on interest and debt.

The effective tax rate was 45.7% in fiscal 1986, 46% in 1985 and 45.1% in 1984. See Note 4 of Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Fiscal 1986

Funds provided from current operations were a record $435,144,000 in fiscal 1986. These funds combined with the issuance of $141,120,000 in long-term debt were used to finance capital expenditures for fixture additions, equipment, leasehold improvements, 18 Wal-Mart stores in the state of Florida, 12 Sam's Wholesale Club units, the construction of two distribution centers and the partial construction of a third, and to a lesser extent, to pay dividends and provide general working capital. In addition, the Company maintains $425,000,000 in lines of credit to support short-term borrowing and commercial paper sufficient to finance the seasonal buildups in merchandise inventories and interim financing requirements for store properties developed under sale/leaseback arrangements, and at January 31, 1986, had $165,168,000 in short-term money market investments.

The Company opened 115 Wal-Mart stores during fiscal 1986, and financed the real estate primarily through sale/ leaseback arrangements or leases from real estate developers. Capital expenditures of $350,667,000 excluding leased properties, were financed through internally generated funds and the issuance of long-term debt.

The Company's debt (including obligations under capital leases)-to-equity ratio increased to .61:1 at the end of fiscal 1986 as compared with .50:1 at the end of the preceding year due to the issuance of $141,120,000 in debt.

Capital expenditures planned for fiscal 1987, including 18 Sam's units and excluding leased properties, are approximately $375,000,000. These expenditures will be financed from internally generated funds. In addition, the Company plans to open approximately 115 Wal-Mart stores, most of which will be financed through sale/leaseback arrangements or real estate developers and will require approximately $200,000,000 in lease financing.

Dividends for fiscal 1987 have been increased to 17.0 cents per share from 14.0 cents per share in fiscal 1986, payable quarterly at 4.25 cents per share.

Fiscal 1985

Funds generated from operations were $347,094,000. The Company had access to $477,000,000 in unused lines of credit for short-term borrowing and issuance of commercial paper.

Additions to property, plant and equipment totaled $213,200,000, excluding leased store properties, and were financed with internally generated funds. The debt-to-equity ratio decreased to .50:1 from .52:1 in fiscal 1984.

TEN-YEAR FINANCIAL SUMMARY

Wal-Mart Stores, Inc. and Subsidiaries
(Dollar amounts in thousands except per share data)

	1986	1985	1984
EARNINGS			
Net sales	$8,451,489	$6,400,861	$4,666,909
Licensed department rentals and other income - net	55,127	52,167	36,031
Cost of sales	6,361,271	4,722,440	3,418,025
Operating, selling and general and administrative expenses	1,485,210	1,181,455	892,887
Interest costs:			
Debt	1,903	5,207	4,935
Capital leases	54,640	42,506	29,946
Taxes on income	276,119	230,653	160,903
Net income	327,473	270,767	196,244
Per share of common stock:*			
Net income	1.16	.96	.70
Dividends	.14	.105	.07
Stores in operation at the end of the period			
Wal-Mart Stores	859	745	642
Sam's Wholesale Clubs	23	11	3
FINANCIAL POSITION			
Current assets	$1,784,275	$1,303,254	$1,005,567
Net property, plant, equipment and capital leases	1,303,450	870,309	628,151
Total assets	3,103,645	2,205,229	1,652,254
Current liabilities	992,683	688,968	502,763
Long-term debt	180,682	41,237	40,866
Long-term obligations under capital leases	595,205	449,886	339,930
Preferred stock with mandatory redemption provisions	4,902	5,874	6,411
Common shareholders' equity	1,277,659	984,672	737,503
FINANCIAL RATIOS			
Current ratio	1.8	1.9	2.0
Inventories/working capital	1.8	1.8	1.5
Return on assets**	14.8	16.4	16.5
Return on shareholders' equity**	33.3	36.7	40.2

** All per share data prior to 1986 have been adjusted to reflect the 100% stock dividend paid October 4, 1985, to holders of Wal-Mart common stock.*

*** On beginning of year balances.*

1983	1982	1981	1980	1979	1978	1977
$3,376,252	$2,444,997	$1,643,199	$1,248,176	$900,298	$678,456	$478,807
22,435	17,650	12,063	10,092	9,615	7,767	5,393
2,458,235	1,787,496	1,207,802	919,305	661,062	503,825	352,669
677,029	495,010	331,524	251,616	182,365	134,718	95,488
20,297	16,053	5,808	4,438	3,119	2,068	1,680
18,570	15,351	10,849	8,621	6,595	4,765	3,506
100,416	65,943	43,597	33,137	27,325	19,656	14,818
124,140	82,794	55,682	41,151	29,447	21,191	16,039
.46	.31	.22	.17	.12	.09	.07
.045	.0325	.025	.019	.014	.01	.0055
551	491	330	276	229	195	153
—	—	—	—	—	—	—
$ 720,537	$ 589,161	$ 345,204	$ 266,617	$191,860	$150,986	$ 99,493
457,509	333,026	245,942	190,562	131,403	100,550	68,134
1,187,448	937,513	592,345	457,879	324,666	251,865	168,201
347,318	339,961	177,601	170,221	98,868	74,891	43,289
106,465	104,581	30,184	24,862	25,965	21,489	19,158
222,610	154,196	134,896	97,212	72,357	59,003	41,190
6,861	7,438	—	—	—	—	—
488,109	323,942	248,309	164,844	127,476	96,482	64,417
2.1	1.7	1.9	1.6	1.9	2.0	2.3
1.5	2.0	1.7	2.4	1.9	1.8	1.6
13.2	14.0	12.2	12.7	11.7	12.6	12.8
38.3	33.3	33.8	32.3	30.5	32.9	34.0

CONSOLIDATED STATEMENTS OF INCOME

Wal-Mart Stores, Inc. and Subsidiaries
(Dollar amounts in thousands except per share data)

	Fiscal year ended January 31,		
	1986	**1985**	**1984**
Revenues:			
Net sales	$8,451,489	$6,400,861	$4,666,909
Rentals from licensed departments	13,011	13,053	10,175
Other income - net	42,116	39,114	25,856
	8,506,616	6,453,028	4,702,940
Costs and expenses:			
Cost of sales	6,361,271	4,722,440	3,418,025
Operating, selling and general and administrative expenses	1,485,210	1,181,455	892,887
Interest costs:			
Debt	1,903	5,207	4,935
Capital leases	54,640	42,506	29,946
	7,903,024	5,951,608	4,345,793
Income before income taxes	603,592	501,420	357,147
Provision for federal and state income taxes:			
Current	258,197	220,842	152,207
Deferred	17,922	9,811	8,696
	276,119	230,653	160,903
Net income	$ 327,473	$ 270,767	$ 196,244
Net income per share	$ 1.16	$ .96*	$ .70*

**Adjusted to reflect the 100% common stock dividend paid on October 4, 1985.*

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

Wal-Mart Stores, Inc. and Subsidiaries
(Amounts in thousands)

	January 31, 1986	January 31, 1985
ASSETS		
Current assets:		
Cash	$ 9,250	$ 1,852
Short-term money market investments	165,168	—
Receivables	57,662	45,578
Recoverable costs from sale/leaseback	152,410	142,389
Inventories	1,388,168	1,103,925
Prepaid expenses	11,617	9,510
TOTAL CURRENT ASSETS	1,784,275	1,303,254
Property, plant and equipment, at cost:		
Land	103,514	29,702
Buildings and improvements	314,325	179,926
Fixtures and equipment	474,769	355,369
Transportation equipment	44,131	41,736
	936,739	606,733
Less accumulated depreciation	192,380	139,322
Net property, plant and equipment	744,359	467,411
Property under capital leases	652,003	474,736
Less accumulated amortization	92,912	71,838
Net property under capital leases	559,091	402,898
Other assets and deferred charges	15,920	31,666
Total assets	$3,103,645	$2,205,229
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 695,439	$ 451,427
Accrued liabilities:		
Salaries	49,698	38,108
Taxes, other than income	39,704	30,399
Other	107,158	85,225
Accrued federal and state income taxes	89,399	73,359
Long-term debt due within one year	1,605	2,982
Obligations under capital leases due within one year	9,680	7,468
TOTAL CURRENT LIABILITIES	992,683	688,968
Long-term debt	180,682	41,237
Long-term obligations under capital leases	595,205	449,886
Deferred income taxes	52,514	34,592
Preferred stock with mandatory redemption provisions	4,902	5,874
Common shareholders' equity:		
Common stock (shares outstanding, 281,045 and 140,223 in 1986 and 1985)	28,105	14,022
Capital in excess of par value	181,106	189,907
Retained earnings	1,068,448	780,743
TOTAL COMMON SHAREHOLDERS' EQUITY	1,277,659	984,672
Total liabilities and shareholders' equity	$3,103,645	$2,205,229

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

Wal-Mart Stores, Inc. and Subsidiaries

(Amounts in thousands)

	Number of shares	Common stock	Capital in excess of par value	Retained earnings	Total
Balance - January 31, 1983	67,211	$ 6,721	$118,034	$ 363,354	$ 488,109
Net income				196,244	196,244
Cash dividends:					
Common stock ($.07* per share)..				(19,033)	(19,033)
Preferred stock ($2.00 per share)				(528)	(528)
Accretion of preferred stock redemption premium				(84)	(84)
Exercise of stock options..........	130	13	377		390
Conversion of preferred stock	1		21		21
Conversion of convertible subordinated debentures	52	[illegible]	1,352		1,357
100% common stock dividend	67,394	6,739	(6,739)		—
Exercise of stock options..........	[illegible]	61	[illegible]		470
Tax benefit from stock options			11,517		11,517
Conversion of preferred stock	45	5	[illegible]		514
Conversion of convertible subordinated debentures	4,481	[illegible]	57,008		57,456
Other			1,070		1,070
Balance - January 31, 1984	139,916	13,992	183,558	539,953	737,503
Net income				270,767	270,767
Cash dividends:					
Common stock ($.105* per share)				(29,419)	(29,419)
Preferred stock ($2.00 per share)				(482)	(482)
Accretion of preferred stock redemption premium				(76)	(76)
Exercise of stock options..........	253	25	[illegible]		475
Tax benefit from stock options			5,292		5,292
Conversion of preferred stock	[illegible]	5	607		612
Balance - January 31, 1985	140,223	14,022	189,907	780,743	984,672
Net income				327,473	327,473
Cash dividends:					
Common stock ($.14* per share)				(39,302)	(39,302)
Preferred stock ($2.00 per share)				(396)	(396)
Accretion of preferred stock redemption premium				(70)	(70)
Exercise of stock options..........	[illegible]	7	[illegible]		341
Conversion of preferred stock	86	9	977		[illegible]
100% common stock dividend	140,374	14,038	(14,038)		—
Exercise of stock options..........	288	[illegible]	[illegible]		982
Tax benefit from stock options			3,352		3,352
Conversion of preferred stock	[illegible]	1	54		55
Other			(434)		(434)
Balance - January 31, 1986	281,045	$28,105	$181,106	$1,068,448	$1.277,659

**Cash dividends on common stock prior to October 4, 1985, have been adjusted to reflect the 100% common stock dividend paid on that date.*

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Wal-Mart Stores, Inc. and Subsidiaries

Note 1 Accounting policies

Segment information—The Company and its subsidiaries are principally engaged in the operation of discount stores in a 22-state region. No single customer accounts for a significant portion of its consolidated sales.

Consolidation—The consolidated financial statements include the accounts of all subsidiaries.

Inventories—Inventories are stated principally at cost (last-in, first-out), which is not in excess of market, using the retail method for inventories in stores.

Pre-opening costs—Costs associated with the opening of new stores are expensed during the first full month of operations. The costs are carried as prepaid expenses prior to the store opening.

Interest during construction—In order that interest costs properly reflect only that relating to current operations, interest on borrowed funds during the construction of property, plant and equipment is capitalized. Interest costs capitalized (excluding amounts related to properties developed under sale/leaseback arrangements) are $4,351,000, $970,000 and $535,000 in 1986, 1985 and 1984 respectively.

Depreciation—Depreciation for financial statement purposes is provided on the straight-line method over the estimated useful lives of the various assets. For income tax purposes, the accelerated cost recovery system is used for assets placed in service after 1980 and accelerated depreciation is used for assets placed in service in 1980 and prior years with recognition of deferred income taxes for the resulting timing differences.

Operating, selling and general and administrative expenses—Buying, warehousing and occupancy costs are included in operating, selling and general and administrative expenses.

Income taxes—Investment tax credits are accounted for under the flow-through method.

Deferred income taxes are provided for income tax and financial reporting differences with respect to depreciation, capitalized leases and other items.

Net income per share—Net income per share is based on weighted average outstanding common shares and common share equivalents and stock options reduced by shares assumed to have been purchased from such options under the treasury stock method.

Stock options—Proceeds from the sale of common stock issued under the stock option plans and related tax benefits which accrue to the Company are accounted for as capital transactions, and no charges or credits are made to income in connection with the plans.

Note 2 Inventories

Inventories at January 31, 1986, and January 31, 1985, were $1,388,168,000 and $1,103,925,000 respectively. Replacement cost would be $140,181,000 greater in 1986 and $123,339,000 greater in 1985.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Wal-Mart Stores, Inc. and Subsidiaries
(Dollar amounts in thousands)

	Fiscal years ended January 31,		
	1986	1985	1984
Source of funds:			
Current operations:			
Net income	$327,473	$270,767	$196,244
Items not affecting working capital in current period:			
Depreciation and amortization	89,749	66,516	49,838
Deferred income taxes	17,922	9,811	8,696
Total from current operations	435,144	347,094	254,778
Net proceeds from exercise of options, conversion of preferred stock and conversion of subordinated debentures	5,282	6,379	72,795
Additions to long-term debt	141,120	10,699	2,954
Additions to long-term obligations under capital leases	156,453	118,407	124,851
Reduction in other assets	18,609	2,958	1,342
Other	9,913	16,430	8,618
	766,521	501,967	465,338
Application of funds:			
Additions to property, plant and equipment	350,667	213,200	110,454
Additions to property under capital leases	181,487	111,721	118,212
Reduction in long-term debt, including changes in current maturities	1,675	10,328	68,553
Reduction in long-term lease obligations, including changes in current obligations	11,134	8,451	7,531
Preferred stock conversions	971	537	450
Dividends paid	39,768	29,977	19,645
Additions to other assets and deferred charges	3,513	16,271	10,908
	589,215	390,485	335,753
Increase in working capital	$177,306	$111,482	$129,585
Changes in components of working capital:			
Increase (decrease) in current assets:			
Cash	$ 7,398	($ 6,648)	$ 235
Short-term money market investments	165,168	(148,360)	123,343
Receivables	12,084	6,783	5,299
Recoverable costs from sale/leaseback	10,021	74,744	(26,013)
Inventories	284,243	368,530	179,693
Prepaid expenses	2,107	2,638	2,473
	481,021	297,687	285,030
Increase (decrease) in current liabilities:			
Accounts payable and accrued liabilities	286,840	161,364	152,959
Accrued federal and state income taxes	16,040	21,813	7,344
Long-term debt due within one year	(1,377)	1,539	(6,237)
Obligations under capital leases due within one year	2,212	1,489	1,379
	303,715	186,205	155,445
Increase in working capital	$177,306	$111,482	$129,585

See accompanying notes.

Note 3 Notes payable and long-term debt

Information on short-term borrowings and interest rates follows:

	Fiscal years ended January 31,		
	1986	1985	1984
Maximum amount outstanding at month-end	$161,300,000	$198,100,000	$86,602,000
Average daily short-term borrowings	$ 35,947,000	$ 36,216,000	$24,748,000
Weighted average interest rate	8.0%	10.4%	9.3%

At January 31, 1986, the Company had lines of credit to support short-term borrowings and commercial paper with 10 banks in an aggregate of $325,000,000, and 90 day seasonal lines in an aggregate of $100,000,000. Short-term borrowings against these lines of credit bear interest at or below the prime rate, and certain of the lines of credit require compensating balances or commitment fees.

Long-term debt at January 31 consists of:

	1986	1985
10⅞% Debentures due August 2000	$100,000,000	$ —
10% Participating Mortage Certificates due 2005	15,500,000	—
9½% Participating Mortgage Certificates II due 2005	25,000,000	—
8⅝% 25-year secured notes, payable $244,595 quarterly (including interest) to October 2003	8,627,000	8,902,000
9¾% Mortgage notes, due 1986 through 2000	6,485,000	6,885,000
8½% Secured notes, payable $121,030 quarterly (including interest)	4,243,000	4,361,000
9¼% Mortgage notes, payable $68,822 quarterly (including interest) to June 1992	1,176,000	1,334,000
Tax-exempt mortgage obligations, at an average rate of 10.3% due 1988 through 2014	15,795,000	15,795,000
Other	3,856,000	3,960,000
	$180,682,000	$41,237,000

Annual maturities on long-term debt during the next five years are:

Fiscal years ending January 31,	Annual maturity
1987	$1,605,000
1988	1,433,000
1989	1,474,000
1990	1,176,000
1991	1,246,000

The agreements relating to the 9¼% mortgage notes, which are guaranteed by Wal-Mart Stores, Inc., and the 8⅝% and 8½% secured notes of a subsidiary contain certain restrictions on the subsidiary concerning additional debt, business activities and combinations, issuance of capital stock and investments.

Under the terms of the 10⅞% Debentures, the Company has agreed to observe certain covenants. Among these are provisions relating to secured debt and long-term leases.

In July 1985 the Company issued $15,500,000 of 10% Participating Mortgage Certificates and in August 1985 the Company issued $25,000,000 of 9½% Participating Mortgage Certificates. The agreements relating to these issues contain provisions for the interest rate to be adjusted in three years from issuance date to 9% and 8½%, respectively, and for contingent additional interest to be payable on a basis of the sales performance of the Wal-Mart stores collateralized by the issues.

Note 4 Income taxes

Reconciliations of the statutory federal income tax rate to the effective tax rate, as a percent of pre-tax financial income, are as follows:

	1986	1985	1984
Statutory tax rate	46.0%	46.0%	46.0%
Investment tax credits	(2.1)	(2.2)	(2.1)
State income taxes	2.1	2.0	2.1
Other	(.3)	.2	(.9)
Effective tax rate	45.7%	46.0%	45.1%

Investment tax credits resulted in reductions of the current federal income tax provisions for 1986, 1985 and 1984 of $12,940,000, $11,227,000 and $7,493,000 respectively.

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial reporting purposes with respect to the following:

	1986	1985	1984
Depreciation	$24,029,000	$17,263,000	$9,951,000
Capital leases	(5,959,000)	(4,936,000)	(3,326,000)
Other	(148,000)	(2,516,000)	2,071,000
	$17,922,000	$ 9,811,000	$8,696,000

Note 5 Preferred and common stock

A. Preferred stock with mandatory redemption provisions

There are 25 million shares of $.10 par value preferred stock authorized, with 181,229 shares of Series A 8% Cumulative Convertible Preferred Stock outstanding at January 31, 1986, and 222,860 shares outstanding at January 31, 1985. The stock has voting rights, a $25.00 per share stated value, a $27.50 liquidation and redemption value and is convertible into 4.4 shares of common stock. As of October 1, 1986, the Company may at its option redeem the preferred stock if the market price of the Wal-Mart common stock is at least 125% of the conversion price for any 10 consecutive trading days within 30 days preceding the redemption date. Commencing December 31, 1986, the Series A Preferred Stock will be subject to a sinking fund which provides for the redemption of all shares over a five-year period.

The preferred stock is listed on the New York Stock Exchange, and at January 31, 1986, there were 340 shareholders of record.

B. Common stock

There are 325 million shares of $.10 par value common stock authorized, with 281,045,471 shares of common stock issued and outstanding at January 31, 1986, and 280,444,746 shares (adjusted to reflect the 100% stock dividend paid on October 4, 1985) issued and outstanding at January 31, 1985. The common

stock is listed on the New York Stock Exchange and the Pacific Stock Exchange, and at January 31, 1986, there were 21,828 shareholders of record.

At January 31, 1986, 4,682,969 shares of common stock were reserved, including 3,886,105 shares for issuance under the stock option plans and 796,864 shares for the conversion of the Series A Preferred Stock.

The options granted under the stock option plans expire 10 years from date of grant and may be exercised in nine annual installments. Further information concerning the options is as follows:

	Shares	Option price (market price at date of grant) Per Share	Total
Shares under option			
January 31, 1985	2,559,656	$ .74-22.88	$19,984,435
Options granted	180,750	22.19-30.00	5,084,650
Options canceled	(129,252)	.87-25.13	(1,583,957)
Options exercised	(422,685)	.74-22.88	(1,442,836)
January 31, 1986 (593,770 shares exercisable)	2,188,469	$ .74-30.00	$22,042,292
Shares available for option			
January 31, 1985	1,808,600		
January 31, 1986	1,697,636		

Note 6 Licensed department sales

The sales of licensed departments as reported by licensees are $129,421,000, $117,223,000 and $76,835,000 for 1986, 1985 and 1984, respectively.

Note 7 Long-term lease obligations

The Company and certain of its subsidiaries have long-term leases for stores and equipment. Rentals (including for certain leases amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under all operating leases were $95,088,000 in 1986, $81,795,000 in 1985 and $61,564,000 in 1984.

Aggregate minimum annual rentals at January 31,1986 , under noncancelable leases are as follows:

Fiscal years	Operating leases	Capital leases
1987	$ 70,417,000	$ 76,709,000
1988	67,156,000	76,945,000
1989	65,529,000	76,562,000
1990	65,218,000	76,959,000
1991	63,178,000	76,885,000
Thereafter	682,740,000	1,225,098,000
Total minimum rentals	$ 1,014,238,000	1,609,158,000
Less estimated executory costs		23,351,000
Net minimum lease payments		1,585,807,000
Less imputed interest at rates ranging from 8.5% to 14.0%		980,922,000
Present value of net minimum lease payments		$ 604,885,000

Certain of the leases provide for contingent additional rentals based on percentage of sales. Such additional rentals amounted to $11,793,000 in 1986, $10,674,000 in 1985 and $7,924,000 in 1984.

Substantially all of the store leases have renewal options for additional terms from five to 15 years at the same or lower minimum rentals.

The Company has entered into lease commitments for land and buildings for 138 future locations. The lease commitments with real estate developers or through sale/leaseback arrangements provide for minimum rentals for 20 to 25 years, excluding renewal options, which if consummated based on current cost estimates would approximate $30,397,000 annually over the lease terms.

Note 8 Changing prices (unaudited)

The Financial Accounting Standards Board, Statement #33 as amended, Financial Reporting and Changing Prices, requires large public companies to provide information about the effect of specific price changes (current costs) on the company's financial statements.

In arriving at the net income adjusted to the current costs of the respective years, only the cost of goods sold and depreciation of fixed assets have been adjusted. According to the statement, revenues and all expenses other than cost of goods sold and depreciation are considered to reflect the average price level for the respective year and, accordingly, have not been adjusted.

Since corporations are taxed on historical dollar results without regard for the inflation-created decline in the real value of the dollar, the provision for income taxes has not been adjusted.

The objective of the current cost method is to reflect the effects of changes in specific prices of the resources actually used in the Company's operation, so that measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost actually expended to acquire them. The historical cost of sales presented below has not been adjusted since cost of sales on a LIFO basis is generally considered to approximate replacement cost. The theory underlying the LIFO method of inventory accounting rests on the concept of matching current costs with current revenues. The Company principally uses the LIFO method of inventory valuation.

Current cost computations were made separately for each component of fixed assets. For purposes of determining current cost of facilities, the Company utilized the concept of service potential, which represents the assets (excluding operating leases) required to generate the sales volume obtained during the period. For certain items which are not acquired on a continual basis, the Company used published valuation cost indices. For those assets which are acquired or built on a continual basis, current costs are readily available for use in calculating estimated replacement cost. Depreciation expense computations were made utilizing the ratios between historical depreciation expense and historical assets within asset categories, and applying such ratios to asset replacement cost data.

Statement of Income Adjusted for Changing Prices
(Dollar amounts in thousands except per share data)

	Fiscal year ended January 31, 1986	
	Historical dollars	Current costs (nominal dollars)
Revenues	$8,506,616	$8,506,616
Cost of sales	6,361,271	6,361,151**
Operating, selling and general and administrative expenses	1,485,210	1,486,981**
Interest costs	56,543	56,543
Provision for income taxes	276,119	276,119
Net income	$ 327,473	$ 325,822
Unrealized gain from decline in purchasing power of net amounts owed***		$ 45,271
Effects of changing prices on inventories and service potential of property, plant and equipment held during the year		
Due to specific prices (current cost)		$ 45,375
Due to general deflation		(87,050)
Excess of specific prices over general deflation		$ 132,425

Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (in average 1986 dollars)
(Dollar amounts in thousands except per share data)

	1986	1985	1984	1983	1982
Revenues - as reported	$8,506,616	$6,453,028	$4,702,940	$3,398,687	$2,462,647
- in constant dollars	8,506,616	6,683,818	5,076,424	3,788,012	2,902,906
Net income - as reported	327,473	270,767	196,244	124,140	82,794
- in current cost	325,822	280,307	212,130	136,647	89,514
Net income per share*					
- as reported	1.16	.96	.70	.46	.32
- in current cost	1.16	.99	.76	.50	.34
Common shareholders' equity at year end					
- as reported	1,277,659	984,672	737,503	488,109	323,942
- in current cost****	1,450,725	1,256,465	964,763	713,650	593,527
Cash dividends per common share*					
- as reported	.14	.11	.07	.05	.03
- in constant dollars	.14	.11	.08	.05	.04
Market price per common share*					
- as reported	32.125	22.75	17.75	11.75	5.49
- in constant dollars	31.62	23.26	18.80	12.96	6.28
Average consumer price index	323.22	312.04	299.4	290.0	274.2

* *Per share data prior to October 4, 1985, have been adjusted to reflect the 100% stock dividend paid on that date*

** *Depreciation expense (current cost) for 1986 is $89,106 of which $4,870 is included in cost of sales*

*** *Preferred stock with mandatory redemption provisions has been treated for the above purposes as a monetary liability in the computation of the unrealized gain from decline in purchasing power of net amounts owed.*

**** *At January 31, 1986, current cost (in 1986 average dollars) of inventories and property, plant and equipment was $1,528,349 and $1,336,334, respectively. At January 31, 1985, current cost (in 1985 average dollars) of inventories and property, plant and equipment was $1,227,264 and $975,350 respectively*

Note 9 Quarterly financial data (unaudited)

Summarized consolidated quarterly financial data for 1986 and 1985 are as follows:

	Quarters ended			
1986	April 30,	July 31,	October 31,	January 31,
Net sales	$1,655,661,000	$1,934,359,000	$2,087,533,000	$2,773,936,000
Cost of sales	1,240,844,000	1,457,198,000	1,561,281,000	2,101,948,000
Net income	51,690,000	71,809,000	70,917,000	133,057,000
Net income per share*	$ .18	$ .25	$ .25	$ .47
1985				
Net sales	$1,234,769,000	$1,508,534,000	$1,583,573,000	$2,073,985,000
Cost of sales	903,912,000	1,117,654,000	1,163,704,000	1,537,170,000
Net income	43,643,000	58,964,000	58,792,000	109,368,000
Net income per share*	$ .15	$ .21	$ .21	$ .38

*Per share data prior to quarter ending October 31, 1985, have been adjusted to reflect the 100% stock dividend paid on October 4, 1985, to holders of Wal-Mart common stock.

Net income for the quarters ended January 31, 1986 and 1985 was increased $5,441,000 ($.02 per share) and $11,147,000 ($.04 per share) due to adjustment of the estimated inflation rate and other factors used to compute LIFO inventory cost for the first three quarters to the actual data for the year.

ACCOUNTANTS' REPORT

The Board of Directors and Shareholders
Wal-Mart Stores, Inc.

We have examined the accompanying consolidated balance sheets of Wal-Mart Stores, Inc., and subsidiaries at January 31, 1986 and 1985, and the related consolidated statements of income, common shareholders'equity and changes in financial position for each of the three years in the period ended January 31, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Wal-Mart Stores, Inc., and subsidiaries at January 31, 1986 and 1985, and the consolidated results of operations and changes in financial position for each of the three years in the period ended January 31, 1986, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

Tulsa, Oklahoma
March 24, 1986

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements and information of Wal-Mart Stores, Inc. presented in this Report have been prepared by management which has responsibility for their integrity and objectivity. These financial statements have been prepared in conformity with generally accepted accounting principles, applying certain estimates and judgments based upon currently available information and management's view of current conditions and circumstances. The services of certain specialists, both from within the Company and from outside the Company, have been utilized in making such estimates and judgments.

Management has developed and maintains a system of accounting and controls, including an extensive internal audit program, designed to provide reasonable assurance that the Company's assets are protected from improper use and that accounting records provide a reliable basis for the preparation of financial statements. This system is continually reviewed, improved and modified in response to changing business conditions and operations and to recommendations made by the independent publicaccountants and the internal auditors.Management believes that the accounting and control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Company has adopted a Statement of Responsibility which is intended to guide our management in the continued observance of high ethical standards of honesty, integrity and fairness in the conduct of the business and in accordance with the law. Compliance with the guidelines and standards is continuously reviewed and is acknowledged in writing by all management associates.

The Board of Directors, through the activities of its Audit Committee, consisting solely of outside Directors, participates in the process of reporting financial information. The duties of the Committee include keeping informed of the financial condition of the Company and reviewing its financial policies and procedures, its internal accounting controls and the objectivity of its financial reporting. Both the Company's independent public accountants and the internal auditors have free access to the Audit Committee and the Board of Directors and meet with the Committee periodically, with and without management present.

Jack Shewmaker
Vice Chairman and
Chief Financial Officer

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President, Beverly Enterprises

John A. Cooper, Jr. [4]
President, Cooper Communities, Inc.

David D. Glass [1,3]
President and Chief Operating Officer

A.L. Johnson [1]
Executive Vice President
Merchandise and Sales

James H. Jones [2]
Investments

Robert Kahn [2]
President, Kahn Harris Dakin, Inc.

Charles Lazarus
Chairman, Toys "R" Us, Inc.

William H. Seay
Chairman, Retired,
Southwestern Life Insurance Company

Jack Shewmaker [1,3]
Vice Chairman and
Chief Financial Officer

Donald G. Soderquist [1]
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Operations and Administration

Jackson T. Stephens [4]
Chairman, Stephens Inc.

James L. Walton [1]
Senior Vice President

Sam M. Walton [1,3]
Chairman and Chief Executive Officer

S. Robson Walton [1]
Vice Chairman

1 *Member of Executive Committee*
2 *Member of Audit Committee*
3 *Member of Stock Option Committee*
4 *Member of Special Stock Option Committee*

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Sam M. Walton

President and Chief Operating Officer
David D. Glass

Vice Chairmen
Jack Shewmaker
Chief Financial Officer
S. Robson Walton

Executive Vice Presidents
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Distribution and Transportation
H. "Mac" Gammon
Operations
Joseph P. Hatfield
General Merchandise Manager
Harold E. Johnson
Operations
A.L. Miles
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General Merchandise Manager
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Real Estate and Construction
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Colon Washburn
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Nick White
Sam's Wholesale Club

Vice Presidents
B.D. Adams
Operations
Clarence H. Archer
Pharmacy
Stephen M. Bailey
Divisional Merchandise Manager
Curtis Barlow
Real Estate
Dwight A. Carney
Advertising and Sales Promotion
James K. Comeaux
Divisional Merchandise Manager
Thomas M. Coughlin
Operations, Sam's Wholesale Club
David Dible
Divisional Merchandise Manager
Larry W. Dimmit
Divisional Merchandise Manager
Steve Furner
Operations
Roger Lee Gildehaus
Divisional Merchandise Manager
David H. Gorman
Loss Prevention
Harry S. Green
Operations
Michael J. Guccione
Jewelry
Joseph S. Hardin, Jr.
Distribution
Steve Harig
Divisional Merchandise Manager
Robert L. Hart
Operations
William Hutcheson
Shoes
Bobby L. Martin
Data Processing
Robert J. Murphey
Construction
Duane G. Naccarato
Store Planning
Charles Russell
Operations
Melvin C. Redman
Operations
H. Lee Scott, Jr.
Transportation
Charles E. Self
Finance
Lew Skelton
Operations
Steve Tiernan
Divisional Merchandise Manager
P. Terry Tucker
Divisional Merchandise Manager
Rob Voss
Merchandise, Sam's Wholesale Club
Wesley C. Wright
Personnel

Treasurer
Charles Rateliff

Controller
James A. Walker, Jr.

General Counsel and Secretary
Robert K. Rhoads

CORPORATE INFORMATION

REGISTRAR AND TRANSFER AGENT
Common And Preferred Stock:
Centerre Trust Company of St. Louis
510 Locust Street
Post Office Box 14768
St. Louis, Missouri 63178

TRUSTEE
Debentures:
Bankers Trust Company
4 Albany Street
Ninth Floor
New York, New York 10015

CERTIFIED PUBLIC ACCOUNTANTS
Arthur Young & Company
4300 One Williams Center
Tulsa, Oklahoma 74172

LISTINGS
New York Stock Exchange
Symbol: WMT-Common Stock
WMT-A -Preferred Stock
Pacific Stock Exchange
Symbol: WMT-Common Stock

ANNUAL MEETING
Our Annual Meeting of Shareholders will be held on Friday, June 6, 1986, at 10:00 a.m. in the Auditorium at the Corporate Offices, Bentonville, Arkansas. You are cordially invited to attend. A proxy statement, including a request for proxies will be mailed to shareholders in early May 1986.

INVESTORS' INQUIRIES FORM 10-K REPORT
A copy of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1986, as filed with the Securities and Exchange Commission, may be obtained without charge by writing to:

Bette Hendrix
Assistant Secretary
Wal-Mart Stores, Inc.
Bentonville, AR 72716

CORPORATE OFFICES
Wal-Mart Stores, Inc.
Bentonville, Arkansas 72716
Telephone:(501)273-4000

WAL-MART STORES, INC., BENTONVILLE, ARKANSAS 72716